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Dianne Wampler 01/29/2007 10:47:27 AM From DB/Inbox: Dianne Wampler

Cable
Text:

C O N F I D E N T I A L ANKARA 00174

SIPDIS
CX:

ACTION: ECON
INFO: CONS PA RAO FAS MGT PMA FCS POL DCM AMB

DISSEMINATION: ECON /1
CHARGE: PROG

APPROVED: ECON:TGOLDBERGER
DRAFTED: ECON:TGOLDBERGER
CLEARED: PMA:DBURGER, ECON:DYOUNG

VZCZCAYI550
OO RUEHC RUCNRAQ RHMFISS RHEHAAA RHMFISS RUEUITH
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DE RUEHAK #0174/01 0261604
ZNY CCCCC ZZH
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FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0739
INFO RUCNRAQ/IRAQ COLLECTIVE PRIORITY
RHMFISS/HQ USCENCOM MACDILL AFB FL PRIORITY
RHEHAAA/NSC WASHDC PRIORITY
RHMFISS/HQ USEUCOM VAIHINGEN GE PRIORITY
RUEUITH/ODC ANKARA TU PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J-3/J-5// PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC//USDP:PDUSDP/ISA:EUR/ISA:NESA/DSCA// PRIORITY
RHMFISS/425ABS IZMIR TU//CC// PRIORITY
RHMFISS/39ABG INCIRLIK AB TU PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 000174

SIPDIS

E.O. 12958: DECL: 01/26/2017
TAGS: [ETRD](#) [EPET](#) [PREL](#) [TU](#) [IZ](#)
SUBJECT: SOMO STOPS FUEL PURCHASES FROM TURKEY

REF: A. EMAILS FROM EMBASSY BAGHDAD
[1](#)B. ANKARA 137

Classified By: ECON/C THOMAS GOLDBERGER FOR REASONS 1.5 B AND D

[1](#)1. (C) Summary. Iraq's state oil company SOMO cut off without warning all imports of fuel products via Turkey at the start of 2007. About 200 fuel tankers are stuck in the Iraqi border town of Zakho since December 28 while SOMO refuses to accept delivery of their loads. Efforts of Turkish trade officials to discuss the situation with SOMO have been rebuffed, while two Turkish companies have been advised by SOMO to "contact authorities in the northern provinces" about future fuel product sales. According to Turkish officials, concerns about fuel smuggling make it impossible to authorize transshipment of fuel through Turkey to purchasers other than SOMO. Perplexed, the Turkish trade ministry sees a political motive behind SOMO's move. End Summary.

[1](#)2. (C) Foreign Trade Undersecretariat Director General Sevkettin Ilgac confirmed on January 26 ref a reports that SOMO has not renewed contracts with Turkish fuel suppliers that expired at the end of 2006. We have also confirmed this with the head of the Turkey-Iraq Business Council and companies directly involved in the trade. Currently no new shipments of fuel products (other than DESC purchases for sustainment for the coalition forces) are moving from Turkey to Iraq.

[1](#)3. (C) Ilgac is especially concerned about 200 Turkish trucks

from the Delta Oil and Deger Petrol companies that have been stuck in Zakho waiting to discharge their products since December 28. He said SOMO has refused to accept delivery despite the fact that the deliveries were made before the contracts expired. He explained that approval of these two companies' export licenses had been delayed due to concerns about smuggling, but that the exports had been cleared in late December. He said that the financial amounts at stake were very large.

¶4. (C) Attempts by Ilgac to contact SOMO officials -- with whom he has a nine-year working relationship -- have been rebuffed. Delta and Deger received faxes dated January 11 stating "if you are interested in supplying oil products via Turkey to Iraq, please contact the concerned authorities in the northern provinces." Mystified by SOMO's lack of responsiveness, Trade Minister Kurshad Tuzmen sent a long letter to Oil Minister Shahrastani on January 22 reiterating Turkey's long-expressed desire to regularize this troubled trade relationship.

¶5. (C) Ilgac explained that Turkish law and regulation does not normally permit the transshipment of refined products through Turkey. Transshipments to Iraq were authorized as an exception in a June 2003 Council of Ministers decree. This decree required that the purchaser on the Iraqi side be a known entity like SOMO (or DESC, for shipments to CF in Iraq). This, Ilgac said, is necessary so that Turkish authorities are able to confirm the legitimacy of shipments. There is, he noted, a high propensity to smuggle fuel products due to Turkey's very high taxes on oil products. He said exports to private Iraqi companies or even to government purchasers other than SOMO would not be licensed.

Comment: "Political Motive"

¶6. (C) Ilgac said he had no alternative but to see a "political motive" directed at Turkey in SOMO's decision. Turkey, on the other hand, has long taken the political decision to pursue this trade in support of Iraq. No other neighboring country, including Iran, is, he said, capable of replacing the product flow across Turkey. Two Turkish companies that have been exporting fuel from Turkmenistan to Iraq across Iran have faced great difficulties, as have companies that tried to work through Syria. If it were a budgetary or financial issue, he is convinced that SOMO officials, who he knows personally, would explain this to him and not refuse to take his calls. He noted that the many Turkish construction companies working in Iraq also have special carve-outs from Turkish regulations.

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WILSON